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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
MARC SPITZER
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE GENERIC
PROCEEDING CONCERNING ELECTRIC
RESTRUCTURING ISSUES.

DOCKET NO. E-00000A-02-0051

IN THE MATTER OF THE GENERIC
PROCEEDING CONCERNING THE
ARIZONA INDEPENDENT SCHEDULING
ADMINISTRATOR.

DOCKET NO. E-00000A-01-0630

NOTICE OF FILING

Arizona Public Service Company ("APS") hereby files certain information requested by the Administrative Law Judge at the Procedural Conference on November 9, 2005.

RESPECTFULLY SUBMITTED this 10th day of November, 2005.

PINNACLE WEST CAPITAL
CORPORATION LAW DEPARTMENT

By: Karilee S. Ramaley
Karilee S. Ramaley
Thomas L. Mumaw

AZ CORP COMMISSION
DOCUMENT CONTROL

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1 The original and 10 copies of the
2 foregoing were filed this 10th day
3 of November, 2005 with:

4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington
7 Phoenix, AZ 85007.

8 Copies of the foregoing mailed, faxed or
9 transmitted electronically this
10 10th day of November, 2005 to:

11 All parties of record.
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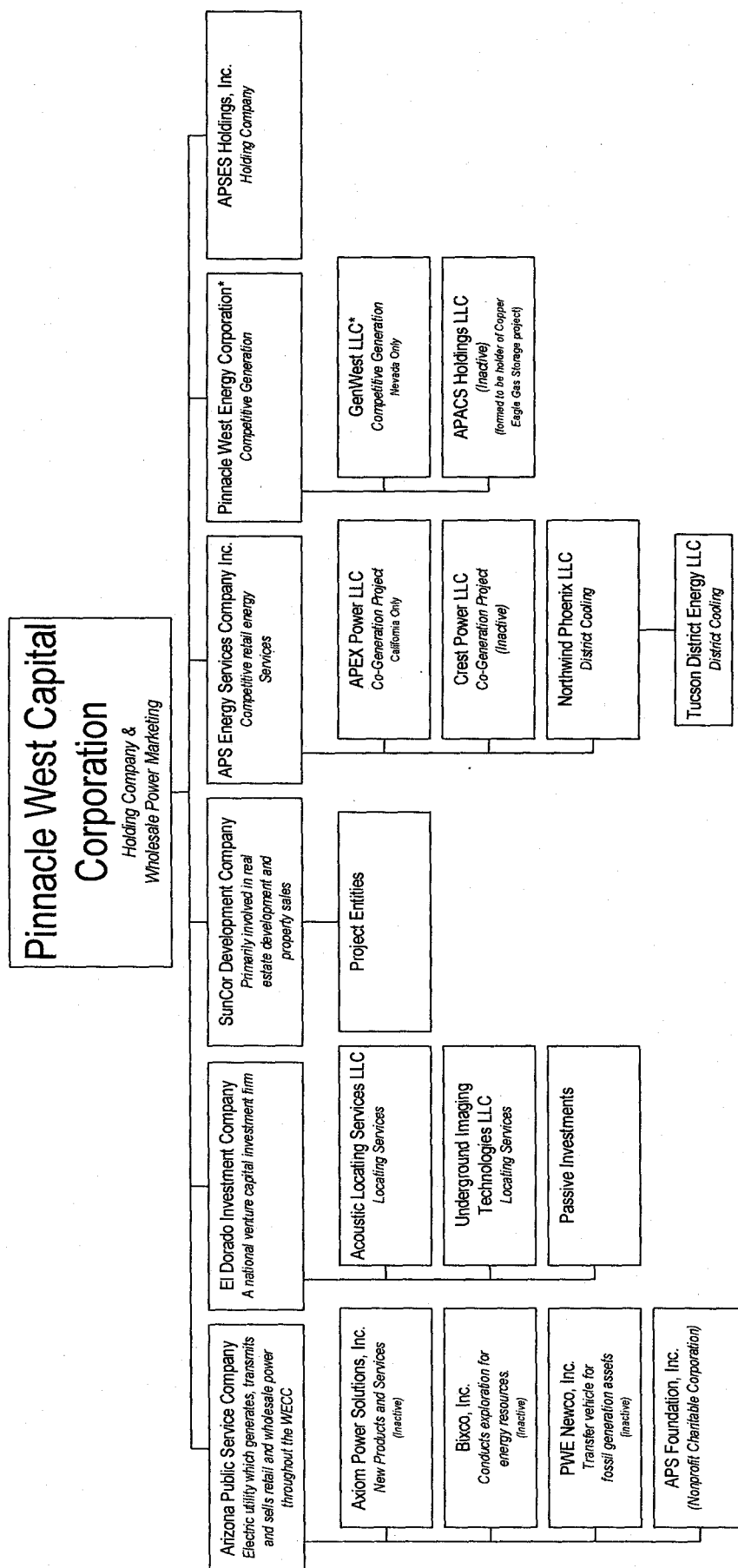
Arizona Public Service Company's Response to
Arizona Corporation Commission Administrative Law Judge
Request for Information Dated 11/09/05
Docket Nos. E-00000A-02-0051 & E-00000A-01-0630

1. **Provide a chart showing APS' affiliates and their relationship to APS.**

APS Response:

See the attached chart, "Corporate Structure and Functions."

CORPORATE STRUCTURE & FUNCTIONS



* Only generating asset is a 75% interest in Silverhawk, which it has sold to Nevada Power Company (NPC). Although sale has not closed, NPC has assumed operational control of Silverhawk.

Arizona Public Service Company's Response to
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2. Provide the names and functions of existing and planned affiliates.

APS Response:

See the chart provided in response to Question 1. Neither APS nor its affiliates have any plans to form new affiliates at the present time.

Arizona Public Service Company's Response to
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3. **List which affiliates provide shared services and to which affiliates such shared services are provided.**

APS Response:

See the attached list of Shared Services

LIST OF SHARED SERVICES

APS to Affiliates

- Accounting
- Tax
- Insurance
- Risk & Insurance Mgmt, Claims Svcs, & Public Safety
- Regulatory Services
- Information Services
- Human Resources Services
- Energy Risk Management (APSES and PWCC only)
- System Dispatch and Scheduling (APSES and PWCC only)
- Environmental Health & Safety
- Corporate Communications
- Community Development
- Corporate Security
- Real Estate/Facility Management
- Contract Management
- Transportation

PWCC to Affiliates

- Audit Services
- Law and Business Practices
- Public Affairs
- Treasury
- Enterprise Finance
- Shareholder Services

Arizona Public Service Company's Response to
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4. List the officers and directors for APS and each of its affiliates.

APS Response:

See the attached listings of officers and directors.



Pinnacle West Capital Corporation

DIRECTORS

Edward N. Basha, Jr.
Jack E. Davis
Michael L. Gallagher
Pamela Grant
Roy A. Herberger, Jr.
Martha O. Hesse

William S. Jamieson, Jr.
Humberto S. Lopez
Kathryn L. Munro
Bruce J. Nordstrom
William J. Post
William L. Stewart

OFFICERS

Robert S. Aiken	Vice President, Federal Affairs
Donald E. Brandt	Executive Vice President & Chief Financial Officer
Jack E. Davis	President & Chief Operating Officer
Barbara M. Gomez	Vice President & Treasurer
Nancy C. Loftin	Vice President, General Counsel & Secretary
William J. Post	Chairman & Chief Executive Officer
Martin L. Shultz	Vice President, Government Affairs



THE POWER TO MAKE IT HAPPENSM

DIRECTORS

Edward N. Basha, Jr.	William S. Jamieson, Jr.
Jack E. Davis	Humberto S. Lopez
Michael L. Gallagher	Kathryn L. Munro
Pamela Grant	Bruce J. Nordstrom
Roy A. Herberger, Jr.	William J. Post
Martha O. Hesse	William L. Stewart

OFFICERS

Jan H. Bennett	Vice President, Customer Service
Ajit P. Bhatti	Vice President, Resource Planning
Donald E. Brandt	Executive Vice President & Chief Financial Officer
Dennis L. Brown	Vice President & Chief Information Officer
Jack E. Davis	President & Chief Executive Officer
John R. Denman	Vice President, Fossil Generation
Clifford Eubanks	Vice President, Nuclear Operations
Armando B. Flores	Executive Vice President, Corporate Business Services
Edward Z. Fox	Vice President, Communications, Environment & Safety
Chris N. Froggatt	Vice President & Controller
Barbara M. Gomez	Vice President & Treasurer
David A. Hansen	Vice President, Power Marketing & Trading
Warren C. Kotzmann	Vice President, Resource Acquisition & Risk Management
James M. Levine	Executive Vice President, Generation
Nancy C. Loftin	Vice President, General Counsel & Secretary
C. David Mauldin	Vice President, Nuclear Engineering & Support
William J. Post	Chairman of the Board
Donald G. Robinson	Vice President, Planning
Steven M. Wheeler	Executive Vice President, Customer Service & Regulation

AXIOM POWER SOLUTIONS, INC.

DIRECTORS

Jack E. Davis
William J. Post

OFFICERS

William J. Post	President & CEO
Nancy C. Loftin	Secretary & Treasurer

BIXCO, INC.

DIRECTORS

Jack E. Davis
William J. Post

OFFICERS

William J. Post	President
Jack E. Davis	Vice President
Nancy C. Loftin	Secretary & Treasurer

PWENEWCO, INC.

DIRECTORS

James M. Levine

OFFICERS

James M. Levine	President
Donald E. Brandt	Vice President
Nancy C. Loftin	Secretary and Treasurer

APS FOUNDATION, INC.

DIRECTORS

Jack E. Davis
Armando B. Flores
Nancy C. Loftin
James M. Levine
William J. Post

OFFICERS

Jack E. Davis	Vice President
Armando B. Flores	Vice President
James M. Levine	Vice President
Nancy C. Loftin	Secretary & Treasurer
William J. Post	President



**EL DORADO
INVESTMENT COMPANY**

El Dorado Investment Company

DIRECTORS

Michael L. Gallagher
Roy A. Herberger, Jr.
William J. Post

OFFICERS

William J. Post	Chairman of the Board, President & Chief Executive Officer
Nancy C. Loftin	Secretary & Assistant Treasurer
Donald E. Brandt	Treasurer & Assistant Secretary

Acoustic Locating Services, LLC

Board of Managers

John Finn
Steve Summerville

Underground Imaging Technologies, LLC

Board of Managers

John Finn
Steve Summerville
Doug Hunt
Kevin Alft



SunCor Development Company

DIRECTORS

Steven A. Betts
Michael L. Gallagher
Pamela Grant
Humberto S. Lopez
William J. Post

OFFICERS

Steven A. Betts
Duane S. Black
Donald E. Brandt
Jay T. Ellingson
Steven Gervais
Margaret E. Kirch
Nancy C. Loftin
Thomas A. Patrick
William J. Post

President & Chief Executive Officer
Executive Vice President & Chief Operating Officer
Treasurer & Assistant Secretary
Vice President Development-Palm Valley
Vice President
Vice President Commercial Development
Secretary & Assistant Treasurer
Vice President Golf Operations
Chairman of the Board



APS Energy Services Company, Inc.

DIRECTORS

Donald E. Brandt
Warren C. Kotzmann
William J. Post
Vicki G. Sandler
William L. Stewart

OFFICERS

Barbara M. Gomez	Treasurer
Nancy C. Loftin	Secretary
William J. Post	Chairman of the Board
Vicki G. Sandler	President

APEX Power, LLC

DIRECTORS

Robert Radomski
James Lodge
Darrel Stockwell
Johnathon Bruser
David Getts

OFFICERS

Vicki Sandler	Member
James B. Rutland	Member

CREST Power, LLC

Newly formed - no current officers

11/10/05

Northwind Phoenix, LLC

Board of Managers

Vicki Sandler
Donald Brandt

OFFICERS

Jim Lodge

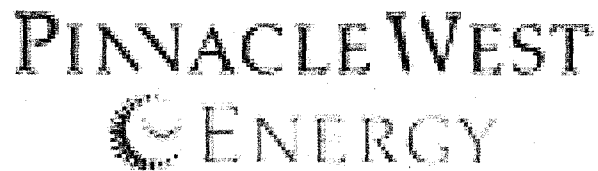
Vice President & General Manager

Tucson District Energy, LLC

OFFICERS

Jim Lodge Vice President & General Manager

11/10/05



Pinnacle West Energy Corporation

DIRECTORS

Edward N. Basha, Jr.
Michael L. Gallagher
Pamela Grant
Roy A. Herberger, Jr.
Martha O. Hesse
William S. Jamieson, Jr.

Humberto S. Lopez
Kathryn L. Munro
Bruce J. Nordstrom
William J. Post
William L. Stewart

OFFICERS

Donald E. Brandt	Chief Financial Officer
Barbara M. Gomez	Treasurer
Warren C. Kotzmann	Vice President, Business & Corporate Services
James M. Levine	President & Chief Executive Officer
Nancy C. Loftin	Secretary
William J. Post	Chairman of the Board

GenWest, LLC

OFFICERS

James M. Levine	President
Warren C. Kotzmann	Vice President
Nancy C. Loftin	Secretary
Barbara M. Gomez	Treasurer

APACS Holdings, LLC

No officers or directors

11/10/05

APSES Holdings, Inc.

a Delaware corporation

DIRECTORS

Warren C. Kotzmann

William J. Post

OFFICERS

Barbara M. Gomez

Nancy C. Loftin

William J. Post

Vicki G. Sandler

Treasurer

Secretary

Chairman of the Board

President

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Docket Nos. E-00000A-02-0051 & E-00000A-01-0630

5. Provide any other information showing the relationship between APS and its affiliates.

APS Response:

Other than as indicated by the organizational chart provided in response to Question 1, the only "relationship" between APS and its affiliates is whatever business they transact with each other. Pursuant to Commission Rule 805, APS files an annual Affiliate Interest Report. Exhibit 6 to that report lists the transactions between APS and its affiliates during 2004. (Attached is a copy of Exhibit 6 to the 2004 APS Affiliate Interest Report.) Please note that Nuclear Assurance Corp. has since been sold and is no longer an affiliate.

X. In accordance with R14-2-805 A.8, provide the dollar amount transferred between the utility and each affiliate during the annual period, and the purpose of each transfer.

1. Name of affiliate: APS Energy Services

2. Amount and purpose of each transfer from utility to affiliate:

There were no transactions from the utility to APS Energy Services during 2004

3. Amount and purpose of each transfer from affiliate to utility.

Column 1	Column 2	Column 3	Column 4	Column 5
Year 2004	Amount FN	Purpose	Transfer From	Transfer To
	\$150,408,821	Purchase power for APSES' California customers	142	131
	\$7,933,618	Energy usage by APSES energy management customers for which APSES is acting as billing agent	146	131
	\$1,234,137	Shared services	146	131
	\$269,980	Scheduling Fees	146	131
	\$210,430	Other	146	131
	\$208,332	Rent, utilities, and insurance	142, 146	131
	\$173,460	Energy risk management	146	131
	\$112,378	Contract Labor	146	131

4. Definitions of accounts from sections 2 and 3:

131 = Cash

142 = Customer accounts receivable

146 = Accounts receivable from associated companies

X. In accordance with R14-2-805 A.8, provide the dollar amount transferred between the utility and each affiliate during the annual period, and the purpose of each transfer.

1. Name of affiliate: APS Foundation

2. Amount and purpose of each transfer from utility to affiliate:

There were no transactions from the utility to APS Foundation during 2004

3. Amount and purpose of each transfer from affiliate to utility.

There were no transactions from APS Foundation to the utility during 2004

X. In accordance with R14-2-805 A.8, provide the dollar amount transferred between the utility and each affiliate during the annual period, and the purpose of each transfer.

1. Name of affiliate: Nuclear Assurance Corporation, International

2. Amount and purpose of each transfer from utility to affiliate:

Column 1	Column 2	Column 3	Column 4	Column 5
Year 2004	Amount FN	Purpose	Transfer From	Transfer To
	\$ 9,435,460 (a)	Payments for dry cask storage project	131	518

(a) Amount shown is for entire Palo Verde Project for which APS is the operating agent. APS share of payments was \$2,736,283. The remainder was paid by the other Palo Verde Participants. Amount shown reflects activity through November 17, 2004 the sale date of NAC.

3. Amount and purpose of each transfer from affiliate to utility.

There were no transactions from Nuclear Assurance Corporation, International to APS during 2004

4. Definition of accounts from sections 2 and 3:

131 = Cash

518 = Nuclear fuel expense

X. In accordance with R14-2-805 A.8, provide the dollar amount transferred between the utility and each affiliate during the annual period, and the purpose of each transfer.

1. Name of affiliate: Pinnacle West Capital Corporation

2. Amount and purpose of each transfer from utility to affiliate:

Column 1	Column 2	Column 3	Column 4	Column 5
Year 2004	Amount FN	Purpose	Transfer From	Transfer To
	\$170,000,000	Common stock dividends	131	438
	\$144,275,972	APS share of withholding and payroll taxes	131	234
	\$75,331,101	APS share of employee benefits (excluding pension and other postretirement benefits)	131	234
	\$69,904,800	APS Share of estimated income taxes	131	236
	\$59,054,063	APS share of pension and other post retirement benefits contributions	131	234, 253
	\$34,192,590	APS share of savings plan payroll deductions	131	234
	\$13,497,751	Intercompany purchases and sales of Power and Natural gas	131	234
	\$5,609,592	APS share of corporate governance allocation	131	234
	\$2,896,128	APS share of shared services	131	234
	\$46,387	Other	131	186

3. Amount and purpose of each transfer from affiliate to utility.

Column 1	Column 2	Column 3	Column 4	Column 5
Year 2004	Amount FN	Purpose	Transfer From	Transfer To
	\$13,306,308	Transmission service	146	131
	\$121,529	Shared services	146	131

4. Definition of accounts from sections 2 and 3:

131 = Cash
146 = Accounts receivable from associated companies
186= Deferred Debit
234 = Accounts payable to associated companies
236 = Taxes Accrued
253= Deferred Credits
438= Dividend Declared

X. In accordance with R14-2-805 A.8, provide the dollar amount transferred between the utility and each affiliate during the annual period, and the purpose of each transfer.

1. Name of affiliate: Pinnacle West Energy

2. Amount and purpose of each transfer from utility to affiliate:

Column 1	Column 2	Column 3	Column 4	Column 5
Year 2004	Amount FN	Purpose	Transfer From	Transfer To
	\$73,089,519	Intercompany purchase of power , including amounts for trading purposes	131	234
	\$8,130,406	Partial refund of collateral on Track "B" Contract	131	234

3. Amount and purpose of each transfer from affiliate to utility.

Column 1	Column 2	Column 3	Column 4	Column 5
Year 2004	Amount FN	Purpose	Transfer From	Transfer To
	\$31,950,000	Interest on \$500M loan with APS	237	131
	\$8,917,208	Shared services	146	131
	\$1,795,843	Energy services	142	131
	\$1,371,275 (a)	Redhawk water treatment, usage, and reserve fees	146	131

(a) Amount shown is for entire Palo Verde Project for which APS is the operating agent. APS share of payments was \$397,670.

4. Definition of accounts from sections 2 and 3:

- 131 = Cash
- 142 = Customer accounts receivable
- 146 = Accounts receivable from associated companies
- 234 = Accounts payable to associated companies
- 237= Interest Accrued

X. In accordance with R14-2-805 A.8, provide the dollar amount transferred between the utility and each affiliate during the annual period, and the purpose of each transfer.

1. Name of affiliate: SunCor Development

2. Amount and purpose of each transfer from utility to affiliate:
There were no transfers from the utility to Suncor.

3. Amount and purpose of each transfer from affiliate to utility.

Column 1	Column 2	Column 3	Column 4	Column 5
Year	2004	Amount FN	Purpose	Transfer From To
		\$1,100,375	Fees for tariffed utility services	142 131

4. Definition of accounts from sections 2 and 3:

131= Cash

142= Customer Accounts Receivable

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6. List any waivers of affiliate interest rules for APS and its Affiliates

APS Response:

Although not technically a "waiver," in Decision No. 58063 (Nov. 3, 1992), the Commission partially lifted a stay of the affiliate interest rules first granted in Decision No. 56890. As a result, the affiliate rules are applicable only in the circumstances set forth in Decision No. 58063 (copy attached).

In Decision No. 61973 the Commission granted partial waivers of the affiliate rules to APS and Pinnacle West (see Exhibit D to Decision No. 61973)(Oct. 6, 1999) (copy attached).

In Decision No. 65434 (Dec. 3, 2002), APS received a one-time transaction specific waiver of Rule 804(B)(1) and (2) to lend money to or guarantee specific obligations of Pinnacle West Capital.

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BEFORE THE ARIZONA CORPORATION COMMISSION

NOV 06 1992
Arizona Corporation Commission
DOCKETED & WILMER

RENZ D. JENNINGS
Chairman
MARCIA WEEKS
Commissioner
DALE H. MORGAN
Commissioner

NOV 03 1992

DOCKETED BY

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IN THE MATTER OF THE NOTICE OF
PROPOSED ADOPTION OF RULES TO
PROVIDE FOR REGULATION OF PUBLIC
UTILITY COMPANIES WITH UNREGULATED
AFFILIATES.

DOCKET NO. R-0000-89-194

ORDER

DECISION NO. 58063

Open Meeting
October 28, 1992
Phoenix, Arizona

FINDINGS OF FACT

1. On March 14, 1990, the Commission issued Decision No. 56844, which adopted rules to oversee the affiliated interests of public service corporations, A.A.C. R14-2-801 through -806 ("the rules"). A copy of the rules is attached as Attachment A. In that Decision, the Commission stated that the rules would become effective upon certification by the Attorney General's office or upon the expiration of ninety (90) days after submission of the rules to the Attorney General's office.

2. On April 3, 1990, Applications for Rehearing of Decision No. 56844 were filed by several participants to that proceeding. In addition, the Attorney General filed an Application for Rehearing and Request for Stay of Decision No. 56844.

3. On April 26, 1990, the Commission issued Decision No. 56890, granting a stay of Decision No. 56844, because the Commission anticipated litigation over the rules.

. . .

1 4. On May 4, 1990, the Attorney General brought suit against
2 the Commission in Superior Court in order to dispute the
3 Commission's contention that Attorney General certification of
4 Commission ratemaking rules was unconstitutional. Several
5 interested utilities intervened.

6 5. On September 25, 1990, the Superior Court determined that
7 Attorney General certification of Commission ratemaking rules is
8 constitutional.

9 6. On November 8, 1990, the Commission filed a Notice of
10 Appeal with the Court of Appeals, contesting the Superior Court's
11 judgment.

12 7. While that appeal was pending, the Commission forwarded
13 the rules to the Attorney General's office for certification.

14 8. On January 22, 1991, the Attorney General informed the
15 Commission that he would not certify the rules.

16 9. On February 26, 1991, the Commission brought a special
17 action in the Arizona Supreme Court, asking the Court to order the
18 Attorney General to certify the rules.

19 10. On June 23, 1992, the Supreme Court issued a mandate
20 directing the Attorney General to certify the rules.

21 11. On July 30, 1992, the Attorney General certified the
22 rules.

23 12. Since then, the Staff has held meetings with all affected
24 Arizona public service corporations to ascertain their concerns and
25 questions regarding the rules and to provide feedback.

26 13. Now that the rules have been certified, the rationale
27 supporting the stay ordered in Decision No. 56890 no longer
28 applies.

1 14. The stay ordered in Decision No. 56890 should be lifted,
2 except as provided below, in stepped phases to allow both the
3 affected public service corporations and the Commission sufficient
4 notice and time to prepare for the implementation of the rules.
5 Gradual lifting of the stay will also provide the Commission
6 additional experience under the most critical components of the
7 rules prior to full implementation.

8 15. The stay ordered in Decision No. 56890 should be lifted
9 for A.A.C. R14-2-801, -802, -805 and -806.

10 16. The stay ordered in Decision No. 56890 should be lifted
11 for A.A.C. R14-2-803, except that for those situations which
12 require prior notification pursuant to A.A.C. R14-2-803.A, the stay
13 should be lifted only for those situations where (1) a public
14 utility holding company is organized; (2) a public utility holding
15 company acquires an initial financial interest in an affiliate or
16 utility; (3) a public utility holding company is reorganized in
17 such a way as to cause changes in the structure of the business
18 organization; (4) the tax structure of a public utility holding
19 company is changed; (5) the lines of authority or relationships
20 between affiliates and a utility are changed; or (6) a public
21 utility holding company either increases or decreases its financial
22 interest in an affiliate or utility in an amount in excess of the
23 following "exempt amounts", which vary depending on the public
24 utility holding company's and any affiliate's pre-existing utility
25 assets in all jurisdictions including Arizona:

26 . . .

27 . . .

28 . . .

TOTAL UTILITY ASSETSEXEMPT AMOUNT

A. \$0 - \$1 Billion

\$5 Million

B. Over \$1 Billion to
\$3 Billion

\$25 Million

C. Over \$3 Billion to
\$6 Billion

\$50 Million

D. Over \$6 Billion to
\$10 Billion

\$100 Million

E. Over \$10 Billion

\$150 Million

The "exempt amounts" are to be measured on a cumulative basis over the calendar year in which the transactions will be made.

17. The stay ordered in Decision No. 56890 should be lifted for A.A.C. R14-2-804, with the following exceptions:

a. for those transactions which require prior approval by the Commission pursuant to A.A.C. R14-2-804.B.1., the stay should be lifted only for transactions whereby a utility (1) obtains its initial financial interest in an affiliate not regulated by the Commission; (2) guarantees or assumes the liabilities of such affiliate; or (3) either increases or decreases its financial interest in such an affiliate in an amount in excess of the following "exempt amounts", which vary depending on the utility's pre-existing utility assets in all jurisdictions including Arizona:

. . .

. . .

. . .

. . .

. . .

. . .

<u>TOTAL UTILITY ASSETS</u>	<u>EXEMPT AMOUNT</u>
A. \$0 - \$1 Billion	\$5 Million
B. Over \$1 Billion to \$3 Billion	\$25 Million
C. Over \$3 Billion to \$6 Billion	\$50 Million
D. Over \$6 Billion to \$10 Billion	\$100 Million
E. Over \$10 Billion	\$150 Million

The "exempt amounts" are to be measured on a cumulative basis over the calendar year in which the transactions will be made.

b. for those transactions which require prior approval by the Commission pursuant to A.A.C. R14-2-804.B.2., the stay should be lifted only for transactions between a utility and any affiliate not regulated by the Commission for which any bonds, notes or other evidences of indebtedness are issued by the affiliate to the utility.

18. For any public service corporation that has or will have applied for a waiver under A.A.C. R14-2-806 prior to the effective date that the stay ordered in Decision No. 56890 is lifted as to that public service corporation, the thirty days provided for in A.A.C. R14-2-806.C. should begin to run upon the effective date that the stay ordered in Decision No. 56890 is lifted as to that public service corporation.

19. Except as provided herein, the stay ordered in Decision No. 56890 should be lifted, and the rules adopted by Decision No. 56844 become effective, in the following sequence:

. . .

. . .

	<u>Public Service Corporation</u>	<u>Effective Date</u>
1		
2	Arizona Public Service Company	December 1, 1992
3	Southwest Gas Corporation	December 1, 1992
4	Tucson Electric Power Company	December 1, 1992
5	U S WEST Communications, Inc.	December 1, 1992
6	Arizona Water Company	January 15, 1993
7	Citizens Utilities Company	January 15, 1993
8	Citizens Utilities Rural Company, Inc.	January 15, 1993
9	Sun City Water Company	January 15, 1993
10	All other Class A public service	
	corporations as defined in A.A.C.	
11	R14-2-103	March 1, 1993

CONCLUSIONS OF LAW

13 The Commission has jurisdiction over this matter and has
14 the authority to issue this order.

ORDER

16 THEREFORE IT IS ORDERED that the stay ordered in Decision No.
17 56890 shall be lifted for A.A.C. R14-2-801, -802, -805 and -806.

18 IT IS FURTHER ORDERED that the stay ordered in Decision No.
19 56890 shall be lifted for A.A.C. R14-2-803, except that for those
20 situations which require prior notification pursuant to A.A.C. R14-
21 2-803.A., the stay shall be lifted only for those situations where
22 (1) a public utility holding company is organized; (2) a public
23 utility holding company acquires an initial financial interest in
24 an affiliate or utility; (3) a public utility holding company is
25 reorganized in such a way as to cause changes in the structure of
26 the business organization; (4) the tax structure of a public
27 utility holding company is changed; (5) the lines of authority or
28 relationships between affiliates and a utility are changed; or (6)

a public utility holding company either increases or decreases its financial interest in an affiliate or utility in an amount in excess of the following "exempt amounts", which vary depending on the public utility holding company's and any affiliate's pre-existing utility assets in all jurisdictions including Arizona:

<u>TOTAL UTILITY ASSETS</u>	<u>EXEMPT AMOUNT</u>
A. \$0 - \$1 Billion	\$5 Million
B. Over \$1 Billion to \$3 Billion	\$25 Million
C. Over \$3 Billion to \$6 Billion	\$50 Million
D. Over \$6 Billion to \$10 Billion	\$100 Million
E. Over \$10 Billion	\$150 Million

The "exempt amounts" are to be measured on a cumulative basis over the calendar year in which the transactions will be made.

IT IS FURTHER ORDERED that the stay ordered in Decision No. 56890 shall be lifted for A.A.C. R14-2-804, with the following exceptions:

a. for those transactions which require prior approval by the Commission pursuant to A.A.C. R14-2-804.B.1., the stay shall be lifted only for transactions whereby a utility (1) obtains its initial financial interest in an affiliate not regulated by the Commission; (2) guarantees or assumes the liabilities of such affiliate; or (3) either increases or decreases its financial interest in such an affiliate in an amount in excess of the following "exempt amounts", which vary depending on the utility's pre-existing utility assets in all jurisdictions including Arizona:

<u>TOTAL UTILITY ASSETS</u>	<u>EXEMPT AMOUNT</u>
A. \$0 - \$1 Billion	\$5 Million
B. Over \$1 Billion to \$3 Billion	\$25 Million
C. Over \$3 Billion to \$6 Billion	\$50 Million
D. Over \$6 Billion to \$10 Billion	\$100 Million
E. Over \$10 Billion	\$150 Million

The "exempt amounts" are to be measured on a cumulative basis over the calendar year in which the transactions will be made.

b. for those transactions which require prior approval by the Commission pursuant to A.A.C. R14-2-804.B.2., the stay shall be lifted only for transactions between a utility and any affiliate not regulated by the Commission for which any bonds, notes or other evidences of indebtedness are issued by the affiliate to the utility.

IT IS FURTHER ORDERED that except as provided herein the stay issued in Decision No. 56890 shall be and is hereby lifted, and the rules adopted in Decision No. 56844 shall become effective, in the following sequence:

21 . . .
 22 . . .
 23 . . .
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<u>Public Service Corporation</u>	<u>Effective Date</u>
Arizona Public Service Company	December 1, 1992
Southwest Gas Corporation	December 1, 1992
Tucson Electric Power Company	December 1, 1992
U S WEST Communications, Inc.	December 1, 1992
Arizona Water Company	January 15, 1993
Citizens Utilities Company	January 15, 1993
Citizens Utilities Rural Company, Inc.	January 15, 1993
Sun City Water Company	January 15, 1993
All other Class A public service corporations as defined in A.A.C. R14-2-103	March 1, 1993

IT IS FURTHER ORDERED that this decision shall become effective immediately.

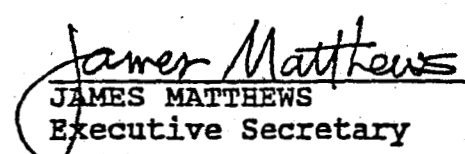
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN


COMMISSIONER


COMMISSIONER

IN WITNESS THEREOF, I JAMES MATTHEWS, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 3 day of November, 1992.


JAMES MATTHEWS
Executive Secretary

DISSENT _____

ATTACHMENT A

CHAPTER 2

CORPORATION COMMISSION

ARTICLE 8

PUBLIC UTILITY HOLDING COMPANIES AND AFFILIATED INTERESTS

R14-2-801

Definitions

R14-2-802

Applicability

R14-2-803

Organization of Public Utility Holding Companies

R14-2-804

Commission Review of Transactions Between Public Utilities and Affiliates

R14-2-805

Annual Filing Requirements of Diversification Activities and Plans

R14-2-806

Waiver from the Provisions of this Article

1 R14-2-801. Definitions

2 In this article, unless the context otherwise requires:

- 3 1. "Affiliate", with respect to the public utility, shall mean
4 any other entity directly or indirectly controlling or
5 controlled by, or under direct or indirect common control with,
6 the public utility. For purposes of this definition, the term
7 "control" (including the correlative meanings of the terms
8 "controlled by" and "under common control with"), as used with
9 respect to any entity, shall mean the power to direct the
10 management policies of such entity, whether through the
11 ownership of voting securities, or by contract, or otherwise.
- 12 2. "Commission." The Arizona Corporation Commission.
- 13 3. "Entity." A corporation, partnership, limited partnership,
14 joint venture, trust, estate, or natural person.
- 15 4. "Holding Company" or "Public Utility Holding Company." Any
16 affiliate that controls a public utility.
- 17 5. "Reorganize" or "Reorganization." The acquisition or
18 divestiture of a financial interest in an affiliate or a
19 utility, or reconfiguration of an existing affiliate or
20 utility's position in the corporate structure or the merger or
21 consolidation of an affiliate or a utility.
- 22 6. "Subsidiary." Any affiliate controlled by a utility.
- 23 7. "System of Accounts." The accounting system or systems
24 prescribed for utilities by the Commission.
- 25 8. "Utility" or "Public Utility." Any Class A investor-owned
26 public service corporation subject to the jurisdiction of the
27 Arizona Corporation Commission.

1 R14-2-802. Applicability

2 A. These rules are applicable to all Class A investor-owned
3 utilities under the jurisdiction of the Commission and are
4 applicable to all transactions entered into after the effective
5 date of these rules.

6 B. Information furnished to the Commission in compliance with
7 these rules will not be open to public inspection, or made
8 public, except on order of the Commission, or by the
9 Commission, or a Commissioner in the course of a hearing or
10 proceeding.

11
12 R14-2-803. Organization of Public Utility Holding Companies

13 A. Any utility or affiliate intending to organize a public utility
14 holding company or reorganize an existing public utility
15 holding company will notify the Commission's Utilities Division
16 in writing at least one hundred and twenty (120) days prior
17 thereto. The notice of intent will include the following
18 information:

- 19 1. The names and business addresses of the proposed officers
20 and directors of the holding company;
- 21 2. The business purposes for establishing or reorganizing
22 the holding company;
- 23 3. The proposed method of financing the holding company and
24 the resultant capital structure;
- 25 4. The resultant effect on the capital structure of the
26 public utility;

- 1 5. An organization chart of the holding company that
2 identifies all affiliates and their relationships within
3 the holding company;
- 4 6. The proposed method for allocating federal and state
5 income taxes to the subsidiaries of the holding company;
- 6 7. The anticipated changes in the utility's cost of service
7 and the cost of capital attributable to the
8 reorganization;
- 9 8. A description of diversification plans of affiliates of
10 the holding company; and
- 11 9. Copies of all relevant documents and filings with the
12 United States Securities and Exchange Commission and other
13 federal or state agencies.
- 14 10. The contemplated annual and cumulative investment in each
15 affiliate for the next five years, in dollars and as a
16 percentage of projected net utility plant, and an
17 explanation of the reasons supporting the level of
18 investment and the reasons this level will not increase
19 the risks of investment in the public utility.
- 20 11. An explanation of the manner in which the utility can
21 assure that adequate capital will be available for the
22 construction of necessary new utility plant and for
23 improvements in existing utility plant at no greater cost
24 than if the utility or its affiliate did not organize or
25 reorganize a public utility holding company.
- 26 B. The Commission Staff will, within thirty (30) days after
27 receipt of the notice of intent, notify the Applicant of any
28 questions which it has concerning the notice or supporting

1 information. The Commission will, within sixty (60) days from
2 the receipt of the notice of intent, determine whether to hold
3 a hearing on the matter or approve the organization or
4 reorganization without a hearing.

- 5 C. At the conclusion of any hearing on the organization or
6 reorganization of a utility holding company, the Commission
7 may reject the proposal if it determines that it would impair
8 the financial status of the public utility, otherwise prevent
9 it from attracting capital at fair and reasonable terms, or
10 impair the ability of the public utility to provide safe,
11 reasonable and adequate service.

12
13 R14-2-804. Commission Review of Transactions Between Public
14 Utilities and Affiliates

- 15 A. A utility will not transact business with an affiliate unless
16 the affiliate agrees to provide the Commission access to the
17 books and records of the affiliate to the degree required to
18 fully audit, examine or otherwise investigate transactions
19 between the public utility and the affiliate. In connection
20 therewith, the Commission may require production of books,
21 records, accounts, memoranda and other documents related to
22 these transactions.

- 23 B. A utility will not consummate the following transactions
24 without prior approval by the Commission:

- 25 1. Obtain a financial interest in any affiliate not regulated
26 by the Commission, or guarantee, or assume the liabilities
27 of such affiliate;
28

- 1 2. Lend to any affiliate not regulated by the Commission,
2 with the exception of short-term loans for a period less
3 than 12 (twelve) months in an amount less than \$100,000;
4 or
5 3. Use utility funds to form a subsidiary or divest itself
6 of any established subsidiary.

7 C. The Commission will review the transactions set forth in
8 subsection B above to determine if the transactions would
9 impair the financial status of the public utility, otherwise
10 prevent it from attracting capital at fair and reasonable
11 terms, or impair the ability of the public utility to provide
12 safe, reasonable and adequate service.

13 D. Every transaction in violation of subsection A or B above is
14 void, and the transaction shall not be made on the books of any
15 public service corporation.

16 E. The system of accounts used by the public utility will include
17 the necessary accounting records needed to record and compile
18 transactions with each affiliate.

19
20 R14-2-805. Annual Filing Requirements of Diversification Activities
21 and Plans

22 A. On or before April 15th of each calendar year, all public
23 utilities meeting the requirements of R14-2-802 and public
24 utility holding companies will provide the Commission with a
25 description of diversification plans for the current calendar
26 year that have been approved by the Boards of Directors. As
27 part of these filings, each public utility meeting the
28

1 requirements of R14-2-802 will provide the Commission the
2 following information:

- 3 1. The name, home office location and description of the
4 public utility's affiliates with whom transactions occur,
5 their relationship to each other and the public utility,
6 and the general nature of their business;
- 7 2. A brief description of the business activities conducted
8 by the utility's affiliates with whom transactions
9 occurred during the prior year, including any new
10 activities not previously reported;
- 11 3. A description of plans for the utility's subsidiaries to
12 modify or change business activities, enter into new
13 business ventures or to acquire, merge or otherwise
14 establish a new business entity;
- 15 4. Copies of the most recent financial statements for each
16 of the utility's subsidiaries;
- 17 5. An assessment of the effect of current and planned
18 affiliated activities on the public utility's capital
19 structure and the public utility's ability to attract
20 capital at fair and reasonable rates;
- 21 6. The bases upon which the public utility holding company
22 allocates plant, revenue and expenses to affiliates and
23 the amounts involved; an explanation of the derivation of
24 the factors; the reasons supporting that methodology and
25 the reasons supporting the allocation;
- 26 7. An explanation of the manner in which the utility's
27 capital structure, cost of capital and ability to raise
28 capital at reasonable rates have been affected by the

organization or reorganization of the public utility holding company;

8. The dollar amount transferred between the utility and each affiliate during the annual period, and the purpose of each transfer;

9. Contracts or agreements to receive, or provide management, engineering, accounting, legal, financial or other similar services between a public utility and an affiliate;

10. Contracts or agreements to purchase, or sell, goods or real property between a public utility and an affiliate; and

11. Contracts or agreements to lease goods or real property between a public utility and an affiliate.

B. After reviewing the diversification plans, the Commission may, within ninety (90) days after plans have been provided, request additional information, or order a hearing, or both, should it conclude after its review that the business activities would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service.

R14-2-806. Waiver from the Provisions of this Article

A. The Commission may waive compliance with any of the provisions of this Article upon a finding that such waiver is in the public interest.

1 B. Any affected entity may petition the Commission for a waiver
2 by filing a verified application for waiver setting forth with
3 specificity the circumstances whereby the public interest
4 justifies noncompliance with all or part of the provisions of
5 this Article.

6 C. If the Commission fails to approve, disapprove, or suspend for
7 further consideration an application for waiver within thirty
8 (30) days following filing of a verified application for
9 waiver, the waiver shall become effective on the thirty-first
10 (31st) day following filing of the application.

EXHIBIT D
Affiliate Rules Waivers

R14-2-801(5) and R14-2-803, such that the term "reorganization" does not include, and no Commission approval is required for, corporate restructuring that does not directly involve the utility distribution company ("UDC") in the holding company. For example, the holding company may reorganize, form, buy or sell non-UDC affiliates, acquire or divest interests in non-UDC affiliates, etc., without Commission approval.

R14-2-804(A)

R14-2-805(A) shall apply only to the UDC

R14-2-805(A)(2)

R14-2-805(A)(6)

R14-2-805(A)(9), (10), and (11)

Recision of Prior Commission Orders

Section X.C of the "Cogeneration and Small Power Production Policy" attached to Decision No. 52345 (July 27, 1981) regarding reporting requirements for cogeneration information.

Decision No. 55118 (July 24, 1986) - Page 15, Lines 5-1/2 through 13-1/2; Finding of Fact No. 24 relating to reporting requirements under the abolished PPFAC.

Decision No. 55818 (December 14, 1987) in its entirety. This decision related to APS Schedule 9 (Industrial Development Rate) which was terminated by the Commission in Decision No. 59329 (October 11, 1995).

9th and 10th Ordering Paragraphs of Decision No. 56450 (April 13, 1989) regarding reporting requirements under the abolished PPFAC.

Arizona Public Service Company's Response to
Arizona Corporation Commission Administrative Law Judge
Request for Information Dated 11/09/05
Docket Nos. E-00000A-02-0051 & E-00000A-01-0630

7. List those transactions for which APS must file notice with the Commission

APS Response:

APS is not required to file "notice" with the Commission regarding affiliate transactions. Pursuant to Commission Rule 804 (Commission Review of Transactions Between Public Utilities and Affiliates), however, APS must seek prior Commission approval before it may obtain a financial interest in an unregulated affiliate or guarantee or assume its liabilities, loan money to an unregulated affiliate, or use utility funds to form a subsidiary or divest itself of an established subsidiary. For example, APS sought prior Commission approval to loan \$500,000,000 to Pinnacle West Energy Corporation, as authorized by the Commission in Decision No. 65796. Pinnacle West must file a notice with the ACC under Rule 803 for any "reorganization" as that term is defined in Rule 801 as modified by Decision No. 58063 and subject to waivers granted Pinnacle West in Decision No. 61973.

Arizona Public Service Company's Response to
Arizona Corporation Commission Administrative Law Judge
Request for Information Dated 11/09/05
Docket Nos. E-00000A-02-0051 & E-00000A-01-0630

- 8. List any changes in function for which APS or an affiliate would be required to file notice with the Commission.**

APS Response:

Commission rules do not require APS or its affiliates to provide notice to the Commission for any change in "function" of that affiliate. Pursuant to Commission Rule 803 (Organization of Public Utility Holding Companies), however, APS and its affiliates must notify the Commission at least 120 days in advance of a reorganization. Under Rule 801(5) (Definitions), "reorganization" includes the acquisition or divestiture of a financial interest in an affiliate or subsidiary, or the reconfiguration of an existing affiliate or utility's position in the corporate structure or merger or consolidation of an affiliate or a utility. The term "reorganization" does not include an affiliate's change in function.

Under this Rule, Pinnacle West would be required to notify the Commission were it planning to reorganize any of its subsidiaries (including APS subsidiaries), which would include formation, divestiture, merger, consolidation or other change in legal corporate structure.

APS's direct subsidiaries include Bixco, Inc., Axiom Power Solutions, Inc., and PWENewCo, Inc. APS also controls the APS Foundation, Inc., a non-profit IRC §501(c)(3) entity. Bixco, Axiom and PWENewCo are all dormant. There has been no change in structure involving them. APS Foundation continues to pursue the charitable purpose for which it was formed.